

FSC TO WORK ON PREVENTING ECONOMIC SHOCKS AND MANAGING FINANCIAL MARKET RISKS

Vice Chairman Doh Kyu-sang held the 30th financial risk assessment meeting via teleconference on November 26 to check the implementation of the COVID-19 emergency financial support programs. At the meeting, Vice Chairman Doh also discussed the current financial market conditions and potential risks, credit lending in the banking sector and the government's plans to extend the period of support available for vulnerable debtors.

The following is a summary of Vice Chairman Doh's remarks.

(CURRENT ECONOMIC CONDITIONS) In November, consumer confidence and business survey index rose while exports increased for a second consecutive month. KOSPI rose to a record high of 2,617.76 points on November 24 on strong foreign net buying. The corporate bond and short-term money markets also show signs of stability. The low-rated corporate bond and CP purchase program (SPV) launched in July helped to improve market conditions. While considering the past performance and market conditions, the FSC will decide in December whether to extend the operation of the SPV beyond its initial six-month period.

(POTENTIAL MARKET RISKS) The Korean economy and domestic financial markets have shown speedy recovery from the pandemic due to the government's aggressive stimulus programs and abundant liquidity supply. However, household loans have expanded more rapidly in that process. Amid an ultra-low rate environment, high-yield hunting in stock and real estate markets and more recently in cryptocurrencies may pose risks. The resurgence of COVID-19 infection cases throughout the world may hold back economic recovery and the uncertainty surrounding major economies' stimulus measures also pose risks. Against this backdrop, the FSC will work to ensure an effective management of household debt and closely monitor the flow of capital into high-risk assets.

(RECENT TRENDS IN CREDIT LENDING) Since the FSC announced the measures to curb credit lending on November 13,¹ the growth of credit loans in the banking sector largely remained at a similar level compared with the same period of the previous month. With the newly announced measures, the growth of credit lending is expected to slow down and household debt will be more effectively managed as banks have bolstered their efforts in applying the individual debt service ratio (DSR). In the meantime, the government will work to ensure that sufficient lending support is available for lower income households.

¹ Please click [here](#) to see the press release dated November 13, 2020.

(SUPPORT FOR VULNERABLE DEBTORS) The government introduced measures to strengthen support for vulnerable debtors in April.² Since then, 9,925 cases of deferment on principal payment have been provided through individual lending institutions' pre-workout programs, as well as 6,380 cases of debt adjustment by the Credit Counseling & Recovery Service. In addition, the Korea Asset Management Corporation (KAMCO) has been operating an SPV to purchase individual debt accrued between February and December 2020. Due to rising concerns about the resurgence in COVID-19 infection cases, the measures to help support vulnerable debtors will be extended beyond the initial period.³ While extending the period of the temporary support measures, the government will also work on the enactment of a consumer credit bill to establish measures to protect consumers in a more permanent and systematic basis.

(IMPROVING THE COMPETITIVENESS OF AIRLINE INDUSTRY) The COVID-19 has had tremendous effects on the airline industry. As airlines are experiencing a near meltdown level of crisis, major economies are sparing no efforts in reviving the airline industry. There are concerns about a protracted normalization process of the airline industry in Korea. In this regard, an M&A process is taking place between Korean Air and Asiana Airlines. A successful M&A between the two airlines will help (a) protect jobs for about 37,000 employees and 60,000 subcontractors, (b) relieve taxpayers' burdens and (c) improve the competitiveness of the industry. It is considered as inevitable for a prompt normalization of the airline industry. In the meantime, the M&A process should focus on ensuring a transparent and sound management structure and guaranteeing job security and consumer convenience. In this regard, the government will also work to help increase the global competitiveness of the airline industry.

Due to the unprecedented level of crisis presented by COVID-19, there are fundamental changes taking place, such as an acceleration of digital transformation, a green reboot and an ever more rising significance of risk management in the financial industry. In this regard, the financial authorities will work to channel abundant market liquidities toward more productive sectors, such as digital and green areas, while improving financial risk management.

² Please click [here](#) to see the press release dated April 8, 2020.

³ Please click [here](#) to see the press release dated November 26, 2020.

COVID-19 FINANCIAL SUPPORT PROGRAMS⁴

(In trillion won)

▶ EMERGENCY LOANS FOR SMALL MERCHANTS	TARGET	PROVIDED
- 1 st round of financial support (Feb 7~)	16.4	14.7
- 2 nd round of financial support (May 25~)	10.0	2.8

(In trillion won)

▶ FINANCIAL SUPPORT FOR SMEs & MIDDLE MARKET ENTERPRISES	TARGET	PROVIDED
- Loans (Mar 16~)	21.2	22.6
- Guarantees (Apr 1~)	7.9	6.7

(In trillion won)

▶ LIQUIDITY SUPPORT FOR CORPORATE BOND & SHORT-TERM MONEY MARKETS	TARGET	PROVIDED
- Liquidity support for securities firms (Mar 24~)	5.0	8.6
- Corporate bond and CP underwriting and refinancing programs (Mar 30~)	6.1	2.2
- Low-rated corporate bond & CP purchase program (Jul 24~)	20.0	2.0
- P-CBO issuance (Apr 1~)	11.7	3.0

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For press inquiry, please contact Foreign Media Relations Team at fsc_media@korea.kr.

⁴ From February 7 to November 20, 2020